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EXDIS, NOFORN, FOR M. CEURVORST HOLD FOR ACDA BURNS, BAILEY

E.O. 12356: DECL: OADR
TAGS: PARM, KNNP, CH
SUBJECT: OFFICIAL-INFORMAL

FOLLOWING PAPERS ON SOUTH ASIAN NUCLEAR ISSUES, LIMITED
TEST BAN TREATY, U.S.-CHINA NUCLEAR AGREEMENT, CHINESE
NUCLEAR EXPORT POLICY, AND NORTH KOREA HAVE BEEN CLEARED IN
PREPARATION FOR THE U.S.-CHINESE ARMS CONTROL DISCUSSIONS.

1. THREAT OF A SOUTH ASIAN NUCLEAR ARMS RACE

(S/NF) BACKGROUND

PAKISTAN AND INDIA EACH COULD TEST A NUCLEAR WEAPON WITHIN
A SHORT PERIOD OF TIME, ALTHOUGH BOTH COUNTRIES' LEADERS
DISAVOW ANY INTENTION OF DOING SO. DEEP MUTUAL DISTRUST
AND PERSISTENT MISINTERPRETATION OF EACH OTHER'S NUCLEAR
ACTIVITIES COULD WELL PRECIPITATE A SOUTH ASIAN NUCLEAR
ARMS RACE, UNLESS SOME MAJOR NEW FACTOR CAN ALTER PRESENT

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TRENDS. (S)

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IN RECENT MONTHS WE HAVE FOCUSSED ON URGING INDIA TO ACCEPT, AS A FIRST STEP, PAKISTAN'S PROPOSAL FOR A MUTUAL PLEDGE NOT TO TEST NUCLEAR EXPLOSIVES. WE HAVE ASKED THE USSR AND SEVERAL OTHER STATES TO REINFORCE OUR EFFORTS. INDIA HAS SAID NO BECAUSE THE "REGIONAL SOLUTION" WE PROPOSED IS NOT PART OF A GLOBAL NUCLEAR DISARMAMENT PLAN. (C)

SO FAR, THE INDIANS CONTINUE TO REJECT PAKISTAN'S VARIOUS PROPOSALS TO CODIFY MUTUAL NUCLEAR CONSTRAINTS. NEITHER HAVE THEY ENGAGED IN A SERIOUS DIALOGUE WITH PAKISTAN ON THESE ISSUES. WHILE PAKISTAN'S FOCUS IS ON INDIA, INDIA'S FOCUS IS BROADER. THE INDIANS INSIST ON ADDRESSING INDIAN NUCLEAR WEAPON POLICY IN GLOBAL TERMS (AND INDIA AS A GLOBAL PLAYER), RATHER THAN IN A SOUTH ASIAN CONTEXT. THEY ALSO USE THE GLOBAL APPROACH TO REINFORCE INDIA'S PERCEPTION OF ITSELF AS A MAJOR POWER AND TO DEFLECT PRESSURE UPON THEMSELVES FOR REGIONAL CONCESSIONS OR COMPROMISES. (C)

INDIA MEASURES ITS GLOBAL STATUS AGAINST CHINA, AND HAS BITTER MEMORIES OF ITS 1962 DEFEAT BY THE CHINESE. INDIA IS LIKELY TO INSIST THAT CHINA BE INCLUDED IN ANY ARMS CONTROL ARRANGEMENTS THAT WOULD CONSTRAIN INDIAN NUCLEAR CAPABILITIES. (C)

IN HIS JUNE 9 ADDRESS TO THE UN GENERAL ASSEMBLY'S SPECIAL SESSION ON DISARMAMENT, PRIME MINISTER RAJIV GANDHI UNVEILED AN ACTION PLAN AIMED AT ACHIEVING GLOBAL NUCLEAR DISARMAMENT BY THE YEAR 2010. THE PLAN OUTLINES A HIGHLY STRUCTURED MULTILATERAL DISARMAMENT PROCESS THAT WOULD INTEGRATE DISCUSSIONS OF A BROAD RANGE OF ARMS CONTROL

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AGREEMENTS WITHIN AN ESTABLISHED TIMEFRAME. THE INITIAL STAGE OF THE PLAN, AS ENVISAGED BY GANDHI, WOULD CONSIST OF A NUCLEAR TESTING MORATORIUM AND THE CESSATION OF THE PRODUCTION OF NUCLEAR WEAPONS AND WEAPONS GRADE FISSIONABLE MATERIAL, ALONG WITH NUCLEAR RESTRAINT BY THE NUCLEAR THRESHOLD STATES. GANDHI'S PLAN CALLS FOR THE REPLACEMENT OF THE NPT WITH A NEW TREATY WHICH WOULD LEGALLY BIND THE NUCLEAR WEAPON STATES TO ELIMINATE ALL NUCLEAR WEAPONS BY THE YEAR 2010 AND THE NON-NUCLEAR WEAPON STATES NOT TO CROSS THE NUCLEAR WEAPONS THRESHOLD. (U)

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WE OBJECT TO GANDHI'S PROPOSAL BECAUSE IT FORESEES TERMINATION OF THE NPT AND BECAUSE IT PREDICATES SUPPORT FOR NON-PROLIFERATION MEASURES ON THE ELIMINATION OF ALREADY EXISTING NUCLEAR WEAPONS. OTHER ASPECTS OF GANDHI'S SPEECH ARE ALSO INCOMPATIBLE WITH U.S. ARMS CONTROL POLICIES. NONETHELESS, HIS PROPOSAL DOES INCLUDE A CALL FOR A

COMMITMENT BY THE NUCLEAR THRESHOLD STATES TO EXERCISE NUCLEAR RESTRAINT. IT IS NOT CLEAR, HOWEVER, WHETHER SUCH RESTRAINT WOULD BEGIN NOW OR ONLY AFTER ALL THE NUCLEAR WEAPON STATES AGREE TO ELIMINATE THEIR NUCLEAR WEAPONS BY THE YEAR 2010. THIS AMBIGUITY COULD BE A BASIS FOR FURTHER DIALOGUE. (C)

TACTICS

BECAUSE CHINA IS A NUCLEAR-ARMED STATE BORDERING INDIA, CHINA'S ACTIONS AND APPROACH ARE LIKELY TO HAVE AN IMPORTANT BEARING ON THE EVOLUTION OF SOUTH ASIAN NUCLEAR ISSUES. CHINA IS ALSO AN INCREASINGLY IMPORTANT NUCLEAR SUPPLIER, AND COOPERATES WITH AND HAS LEVERAGE OVER PAKISTAN. IN BILATERAL DISCUSSIONS, WE HAVE TOLD THE USSR, INDIA, AND PAKISTAN THAT WE WOULD RAISE THESE ISSUES WITH THE PRC. URGING CHINA TO CONSIDER MEANS OF AVERTING A SOUTH ASIAN NUCLEAR ARMS RACE IS, THEREFORE, IMPORTANT. (C)

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THE CHINESE HAVE SO FAR DEMONSTRATED LITTLE INTEREST IN DISCUSSING THE SOUTH ASIAN NUCLEAR PROBLEM WITH US. YOUR VISIT PROVIDES A KEY OPPORTUNITY FOR US TO PUT THIS MATTER ON THE AGENDA WITH THE CHINESE, AND TO ENGAGE THEM IN A SERIOUS AND SUBSTANTIVE DIALOGUE. WE WILL WANT TO EMPHASIZE THE THREAT TO COMMON U.S. AND CHINESE INTERESTS IF FURTHER SOUTH ASIAN NUCLEAR PROLIFERATION CAUSES A HEIGHTENING OF REGIONAL TENSION AND WEAKENS U.S. INFLUENCE IN THE REGION. WE SHOULD REMIND THE CHINESE THAT THEY HAVE RESPONSIBILITIES PARALLEL TO OURS REGARDING THIS THREAT TO REGIONAL AND GLOBAL STABILITY, AND URGE THAT CHINA ASSUME A MORE ACTIVE ROLE IN DEALING WITH THE SOUTH ASIAN NUCLEAR PROBLEM, INCLUDING SERIOUS DISCUSSIONS WITH THE INDIANS. (C)

WE ARE MORE LIKELY TO ACHIEVE A MEANINGFUL DIALOGUE BY

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ASKING LEADING QUESTIONS, BY IMPLYING SYMMETRY BETWEEN CHINESE AND AMERICAN ROLES, STATUS, CONCERNS, AND RESPONSIBILITIES, AND BY AVOIDING ANY IMPLICATION THAT CHINA IS TO BLAME FOR THE SOUTH ASIAN PROLIFERATION THREAT. WE SHOULD ALSO AVOID BEING PRESCRIPTIVE AND ASK WHAT CHINA THINKS SHOULD BE DONE TO ADDRESS THIS ISSUE. (C)

(U) TALKING POINTS

-- THE UNITED STATES GOVERNMENT IS SERIOUSLY CONCERNED ABOUT THE GROWING DANGER THAT NUCLEAR WEAPON CAPABILITIES POSE IN SOUTH ASIA. NEITHER PAKISTAN NOR INDIA HAS BEEN WILLING TO HALT THEIR RESPECTIVE NUCLEAR PROGRAMS WITH

MILITARY CAPABILITIES.

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-- EFFORTS BY BOTH TO DEVELOP OR ACQUIRE NUCLEAR-CAPABLE BALLISTIC MISSILES ARE ALSO DISTURBING.

-- GROWING NUCLEAR CAPABILITIES IN SOUTH ASIA THREATEN OUR COMMON SECURITY INTERESTS. FURTHER STEPS TOWARDS ACQUISITION OF NUCLEAR ARMS WILL WEAKEN THE ABILITY OF THE U.S. TO SUPPORT PAKISTAN, UNDERCUT OUR EFFORTS TO WEAN INDIA AWAY FROM THE SOVIETS, AND INCREASE REGIONAL TENSION AND THE RISK OF INDIA-PAKISTAN HOSTILITIES.

-- IF INDIA-PAKISTAN NUCLEAR COMPETITION BECOMES OVERT, INDIA WILL ALMOST CERTAINLY DIRECT ITS NUCLEAR CAPABILITIES AT CHINA AS WELL AS AT PAKISTAN.

-- PAKISTAN HAS PUBLICLY PROPOSED SEVERAL MEASURES THAT COULD REDUCE THE RISK OF NUCLEAR WEAPON PROLIFERATION IN SOUTH ASIA. ONE IS AN AGREEMENT BETWEEN INDIA AND PAKISTAN NOT TO TEST NUCLEAR EXPLOSIVES.

-- THE U.S. HAS URGED INDIA TO RESPOND POSITIVELY. SO FAR, HOWEVER, INDIAN OFFICIALS HAVE INSISTED THAT THE ISSUE CAN BE DEALT WITH ONLY IN A "GLOBAL" CONTEXT.

-- WE ARE DEEPLY CONCERNED ABOUT INDIA'S NUCLEAR POSTURE. ITS BALLISTIC MISSILE DEVELOPMENT PROGRAM, ITS LARGE STOCKPILE OF NUCLEAR WEAPONS MATERIAL, AND GANDHI'S

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SUGGESTION IN HIS SSOD SPEECH THAT INDIA MAY AGREE TO GIVE UP THE NUCLEAR WEAPON OPTION ONLY WHEN THE NUCLEAR WEAPON STATES COMMIT THEMSELVES TO COMPLETE NUCLEAR DISARMAMENT BY A SPECIFIED DATE -- ALL GIVE US CAUSE FOR CONCERN.

-- DO YOU HAVE A SIMILAR VIEW OF THAT SITUATION? ARE WE CORRECT IN ASSUMING THAT THIS PROBLEM IS ALSO OF MAJOR CONCERN TO CHINA?

-- THE U.S. IS PURSUING DIPLOMATIC EFFORTS TO FIND A

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LASTING SOLUTION TO THIS PROBLEM. WE BELIEVE THAT THE NUCLEAR WEAPON STATES CAN POTENTIALLY MAKE AN IMPORTANT CONTRIBUTION TO DEVELOPING A REGIME THAT WILL KEEP SOUTH ASIA FREE OF NUCLEAR WEAPONS.

-- CAN YOU SUGGEST ANY FURTHER STEPS THAT COULD BE TAKEN BY THE U.S., CHINA, AND/OR OTHER STATES TO REDUCE THIS RISK?

-- AS YOU KNOW, CHINA, THE U.S., AND THE OTHER THREE NUCLEAR WEAPON STATES HAVE ALL UNDERTAKEN TREATY

COMMITMENTS NOT TO USE OR THREATEN TO USE NUCLEAR WEAPONS AGAINST PARTIES TO THE LATIN AMERICAN NUCLEAR-WEAPON-FREE ZONE. DO YOU THINK IT MIGHT BE HELPFUL IF THE NUCLEAR WEAPON STATES ANNOUNCED THEIR WILLINGNESS TO DO THE SAME FOR PARTIES TO A FUTURE SOUTH ASIAN NUCLEAR-WEAPON-FREE ZONE?

-- WE BELIEVE THAT CHINESE PARTICIPATION IN INTERNATIONAL ARMS CONTROL FORA, ADHERENCE TO SEVERAL MULTILATERAL ARMS CONTROL AGREEMENTS, AND PARTICIPATION IN THE INTERNATIONAL ATOMIC ENERGY AGENCY, HAVE ALREADY HAD A POSITIVE EFFECT IN THIS CONTEXT. ARE THERE FURTHER STEPS CHINA COULD TAKE OF THIS KIND?

-- IN OUR VIEW, CHINA HAS ALREADY IMPROVED OVERALL SINO-INDIAN RELATIONS THROUGH INCREASED TRADE AND CULTURAL AND ACADEMIC EXCHANGES. SUCH EFFORTS CAN HELP TO REDUCE THE CONCERNS OF THE INDIAN PUBLIC ABOUT CHINESE POLICIES TOWARD INDIA. THIS IN TURN MAY GIVE INDIAN LEADERS MORE FLEXIBILITY TO ENTER INTO AGREEMENTS THAT LESSEN NUCLEAR PROLIFERATION RISKS.

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-- IN THIS CONTEXT, ARE THERE ANY WAYS IN WHICH CHINA COULD REDUCE INDIAN CONCERNS THAT CHINESE NUCLEAR WEAPONS MIGHT THREATEN INDIA? FOR EXAMPLE, COULD ASSURANCES BE GIVEN THAT NUCLEAR MISSILES WILL NOT BE DEPLOYED NEAR INDIA'S BORDERS?

-- THE INDIANS ALSO SEEM WORRIED ABOUT PAKISTAN ACQUIRING NUCLEAR-WEAPON-RELATED TECHNOLOGY FROM OTHER STATES. WHAT CAN CHINA DO TO DEMONSTRATE THAT IT IS NOT HELPING PAKISTAN'S UNSAFEGUARDED NUCLEAR PROGRAM?

-- HAVE SENIOR CHINESE OFFICIALS DISCUSSED THE NUCLEAR PROLIFERATION PROBLEM IN DEPTH WITH INDIAN AND PAKISTANI OFFICIALS? IF NOT, DO YOU THINK SUCH DISCUSSIONS MIGHT BE USEFUL?

-- WOULD IT BE USEFUL TO ESTABLISH A DIRECT COMMUNICATION LINK (HOT LINE) BETWEEN TOP LEADERS IN BEIJING AND NEW DELHI?

2. CHINA'S NUCLEAR PROGRAM AND THE LTBT

(S/NF) BACKGROUND

CHINA IS A GROWING NUCLEAR POWER, PROJECTED TO HAVE ABOUT

(b)(1)
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ALTHOUGH CHINA IS A PARTY TO THE OUTER SPACE TREATY, ANTARCTIC TREATY, ETC., IT IS NOT A PARTY TO THE LTBT, NPT, OR THE SEABED ARMS CONTROL TREATY. IT HAS BEEN CRITICAL OF THE LTBT AND NPT TREATIES AS BEING SELF-SERVING OF SUPER-POWER INTERESTS. PREMIER ZHAO STATED AT THE 6TH NATIONAL PEOPLE'S CONGRESS IN MAY 1984, THAT "CHINA IS CRITICAL OF THE DISCRIMINATORY NUCLEAR NONPROLIFERATION TREATY AND HAS DECLINED TO ACCEDE TO THE TREATY. BUT CHINA BY NO MEANS FAVORS NUCLEAR PROLIFERATION, NOR WILL IT ENGAGE IN SUCH PROLIFERATION BY HELPING OTHER COUNTRIES TO DEVELOP NUCLEAR WEAPONS." THE CHINESE DISARMAMENT POSITION IS THAT SINCE THE SUPERPOWERS ARE FAR AHEAD OF THE REST OF THE WORLD IN NUCLEAR ARMAMENTS, THE U.S. AND USSR SHOULD STOP TESTING, DEVELOPING AND DEPLOYING NUCLEAR WEAPONS AND SHOULD MUTUALLY REDUCE THE SIZE OF THEIR EXISTING NUCLEAR ARSENALS. THESE "THREE RECISIONS AND ONE REDUCTION" SHOULD THEN BE FOLLOWED BY AN INTERNATIONAL DISARMAMENT CONFERENCE TO AGREE ON THE ELIMINATION OF ALL REMAINING NUCLEAR WEAPONS. HOWEVER, IN THE UN, CHINA DID NOT OPPOSE CREATING A CTB AD HOC COMMITTEE WITHIN THE CD. AT THE 42ND UNGA FIRST COMMITTEE (FALL 1987), CHINA SUPPORTED A RESOLUTION ON "THE URGENT NEED" FOR A CTB. CHINA HAS ALSO MADE AN UNCONDITIONAL NO FIRST USE OF NUCLEAR WEAPONS PLEDGE AND

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URGES OTHER TO DO THE SAME. (RELATED EXTRACTS AT TABS A AND B.) (U)

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(U) TAKLING POINTS -- JOINING THE LTBT

SETTING THE STAGE

- CHINA'S RESTRAINT IN ATMOSPHERIC NUCLEAR TESTING AND CONTROLS EXERCISED IN TRANSFERS OF NUCLEAR TECHNOLOGY ARE WELCOMED BY THE UNITED STATES.

- U.S. FULLY AWARE OF CHINA'S INTEREST IN INTERNATIONAL REDUCTIONS OF NUCLEAR WEAPONS. U.S. ALSO WANTS MAJOR REDUCTIONS IN NUCLEAR STOCKS.

- U.S./USSR ARE MOVING IN THAT DIRECTION (INF/START).

- HOWEVER, TOTAL GLOBAL NUCLEAR DISARMAMENT MAY NOT BE POSSIBLE -- OR DESIRABLE;

-- CONTINUED EURASIAN STABILITY MAY REQUIRE LONG-TERM

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NUCLEAR DETERRENT OF SOVIET MILITARY POTENTIAL.

-- TOO EASY FOR NUCLEAR POWERS TO HIDE (OR REBUILD) NUCLEAR WEAPONS.

-- JUST ONE COUNTRY CAN SPOIL DISARMAMENT.

- AS NUCLEAR ARSENALS ARE REDUCED, THE ISSUE OF PROLIFERATION MAY INTRODUCE COMPLICATIONS INTO THE ARMS CONTROL PROCESS.

-- INDIA POINTS TO THREE TIERS OF WORLD COMMUNITY

O 1ST TIER: SUPERPOWERS

O 2ND TIER: OTHER NUCLEAR WEAPON STATES

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0 3RD TIER: NON-NUCLEAR WEAPON STATES

-- DEVELOPING CRITICISM IS THAT SECOND TIER IS NOT DOING ANYTHING TO MOVE CAUSE OF DISARMAMENT FORWARD.

-- INDIA IS EXPECTED TO MAKE CONCERTED EFFORT TO DESTROY NPT REGIME IN 1990 REVIEW CONFERENCE.

-- NUCLEAR PROLIFERATION COULD RESULT IN OVER 20 NUCLEAR STATES IN FORESEEABLE FUTURE; SEVERAL HAVE INSTABILITY PROBLEMS.

- UNDER CONDITIONS OF NUCLEAR PROLIFERATION, CHINA STANDS TO BE COMPLETELY RINGED BY NUCLEAR STATES.

- AS A NUCLEAR STATE, CHINA'S NONPARTICIPATION IN NUCLEAR

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ARMS CONTROL GIVES OTHERS AN EXCUSE TO ALSO LIMIT PARTICIPATION.

PROPOSAL FOR CHINA: JOIN LTBT

BENEFITS

- DEMONSTRATES TO WORLD CHINA'S GROWING WILLINGNESS TO PARTICIPATE IN MULTILATERAL AGREEMENTS, INCLUDING INTERNATIONAL NUCLEAR ARMS CONTROL REGIMES.

- JOINING WOULD SIMPLY INTERNATIONALIZE A POLICY CHINA IS ALREADY ADHERING TO INTERNALLY.

- WOULD STRENGTHEN THE LTBT AND ADD MOMENTUM TO THE ARMS CONTROL PROCESS.

- ASSIST IN RESTRAINING NUCLEAR PROLIFERATION BY UNDERCUTTING INDIA'S EXCUSE THAT 2ND TIER IS NOT PARTICIPATING IN NUCLEAR ARMS CONTROL REGIMES.

- JOINING COULD ALSO BE BENEFICIAL TO CHINA'S IMAGE IN THE WORLD, INCLUDING IN THE U.S. WHERE CHINA HAS COME UNDER CRITICISM FOR ITS MISSILE SALES.

3. STATUS OF US-PRC NUCLEAR COOPERATION AGREEMENT --

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CONTINGENCY PAPER

(S/S) BACKGROUND

O ON DECEMBER 30, 1985, THE UNITED STATES AND THE PEOPLE'S REPUBLIC OF CHINA EXCHANGED DIPLOMATIC NOTES IN BEIJING BRINGING INTO FORCE THE U.S.-PRC AGREEMENT FOR NUCLEAR COOPERATION.

O THIS ACTION WAS TAKEN FOLLOWING THE COMPLETION OF THE

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REQUIRED NINETY-DAY CONGRESSIONAL REVIEW PERIOD AND THE PASSAGE OF A JOINT RESOLUTION APPROVING THE AGREEMENT, WHICH THE PRESIDENT SIGNED INTO LAW ON DECEMBER 16, 1985.

O THE JOINT RESOLUTION REQUIRES THE PRESIDENT TO MAKE A ONE-TIME CERTIFICATION ON THREE MATTERS (EFFECTIVENESS OF ARRANGEMENTS FOR EXCHANGES OF INFORMATION AND VISITS; ELIGIBILITY OF PRC TO RECEIVE U.S. NUCLEAR EXPORTS UNDER SECTION 129 OF THE ATOMIC ENERGY ACT; AND U.S. CONSENT RIGHTS UNDER ARTICLE 5(2) OF THE AGREEMENT) AND SUBMIT A ONE-TIME REPORT TO CONGRESS BEFORE EXPORTS TO CHINA UNDER THE AGREEMENT MAY BEGIN.

O THE CERTIFICATION MUST LIE BEFORE CONGRESS FOR 30 DAYS OF CONTINUOUS SESSION. THE REPORT TO CONGRESS IS TO PROVIDE AN UPDATED ASSESSMENT OF CHINA'S NON-PROLIFERATION POLICIES AND PRACTICES.

O ON JUNE 23, 1987, WE REACHED AGREEMENT WITH PRC ON ARRANGEMENTS FOR EXCHANGES OF INFORMATION AND VISITS THAT BOTH SATISFY THE REQUIREMENTS OF ARTICLE 8(2) OF THE AGREEMENT AND MEET THE STANDARDS OF THE CONGRESSIONAL JOINT RESOLUTION.

O WE HAVE BEEN FINALIZING THE DOCUMENTATION NECESSARY TO SATISFY ALL REQUIREMENTS OF THE JOINT RESOLUTION.

O RECENT INFORMATION HAS RAISED SOME QUESTIONS ABOUT WHETHER CHINA IS CURRENTLY ACTING IN FULL ACCORDANCE WITH ITS NON-PROLIFERATION POLICY AS THE PRC DESCRIBED IT TO US IN 1985.

O THEREFORE, WE AGAIN RAISED OUR CONCERNS WITH THE PRC

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ABOUT ITS NUCLEAR RELATIONSHIP WITH PAKISTAN (JUNE 9 IN BEIJING AND JUNE 10 ON THE MARGINS OF THE IAEA BOARD OF GOVERNORS MEETING IN VIENNA) AND TOLD THE PRC THAT IF WE MOVE FORWARD ON THE CERTIFICATION, IT WILL BE ON THE UNDERSTANDING THAT CHINA WILL NOT PROVIDE CERTAIN, SPECIFIC KINDS OF ASSISTANCE TO PAKISTAN'S NUCLEAR PROGRAM.

O THE PRC RESPONSE WAS TO REASSURE US THAT ITS PREVIOUS NON-PROLIFERATION POLICY STATEMENTS STILL STAND.

O BASED ON THE CURRENT CONGRESSIONAL CALENDAR, THE LATEST DATE THE PRESIDENT COULD SUBMIT THE CERTIFICATION TO CONGRESS (WITH A SMALL SAFETY MARGIN TO PROTECT AGAINST AN UNSCHEDULED RECESS) IS JULY 28.

(U) CONTINGENCY TALKING POINTS

-- WE BELIEVE THAT SHARED NON-PROLIFERATION PRINCIPLES AND PRACTICES ARE ESSENTIAL UNDERPINNINGS FOR A PRODUCTIVE RELATIONSHIP IN THE AREA OF PEACEFUL NUCLEAR COOPERATION.

-- WE WERE PLEASED THAT THE UNITED STATES AND CHINA REACHED AD REFERENDUM IN JUNE 1987 ON ARRANGEMENTS FOR EXCHANGES OF INFORMATION AND VISITS PURSUANT TO ARTICLE 8 OF THE U.S.-CHINA NUCLEAR AGREEMENT.

-- WE ARE STILL IN THE PROCESS OF TAKING THOSE STEPS NECESSARY UNDER U.S. LAW BEFORE COOPERATION CAN COMMENCE. (THIS POINT MAY HAVE TO BE UPDATED BY TIME OF TALKS.)

4. CHINESE NUCLEAR EXPORT POLICY -- CONTINGENCY PAPER

(S/NF) BACKGROUND

CHINA HAS BECOME A MORE RESPONSIBLE PLAYER ON THE INTERNATIONAL NUCLEAR EXPORT SCENE SINCE THE 1980-82

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PERIOD. CHINESE OFFICIALS BECAME AWARE OF INTERNATIONAL

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NORMS IN THIS FIELD THROUGH DISCUSSIONS WITH THE U.S. AND OTHER PROSPECTIVE SUPPLIERS OF CHINA'S NUCLEAR PROGRAM, AND IN CONNECTION WITH ITS 1983 DECISION TO JOIN THE IAEA. U.S. KNOWLEDGE OF CHINA'S NUCLEAR EXPORT POLICIES WAS GAINED LARGELY IN THE COURSE OF THE NEGOTIATIONS LEADING TO THE U.S.-CHINA AGREEMENT FOR COOPERATION WHICH ENTERED INTO FORCE IN 1985. IN ADDITION, WE AVE OBTAINED COPIES OF MANY OF CHINA'S PEACEFUL NUCLEAR COOPERATION AGREEMENTS WITH OTHER COUNTRIES, MOST OF WHICH ARE PUBLICLY AVAILABLE. (C)

THE CHINESE REQUIRE THAT THEIR NUCLEAR EXPORTS MUST:

O NOT BE USED FOR NUCLEAR EXPLOSIVE OR OTHER MILITARY PURPOSES;

O BE SUBJECT TO IAEA SAFEGUARDS IN NON-NUCLEAR WEAPON STATES;

O NOT BE RETRANSFERRED TO ANOTHER COUNTRY WITHOUT CHINESE CONSENT; AND

O BE SUBJECT TO PHYSICAL PROTECTION MEASURES.

THESE FOUR PROVISIONS ARE CONTAINED IN AT LEAST ONE CHINESE AGREEMENT THAT HAS BEEN MADE PUBLIC (I.E., WITH BRAZIL).
(U)

1 MOREOVER, ON A CLASSIFIED BASIS, THE CHINESE CONFIRMED THAT

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THE UNITED STATES MONITORS CHINESE IMPLEMENTATION OF THESE POLICIES TO THE BEST OF OUR ABILITY AND PLANS TO CONTINUE TALKS AIMED AT FURTHER STRENGTHENING OF CHINA'S NUCLEAR EXPORT CONTROL REGIME. SHOULD AN OCCASION ARISE TO DISCUSS THIS ISSUE, A NUMBER OF POINTS COULD BE RAISED. (U)

FIRST, AS OUTLINED ABOVE, CURRENT CHINESE POLICY REFLECTS MUCH OF THE NUCLEAR SUPPLIERS GROUP (NSG) GUIDELINES PUBLISHED IN 1978, WHICH HAVE NOW BEEN ADOPTED BY 24 COUNTRIES. IT WOULD SERVE INTERNATIONAL NON-PROLIFERATION INTERESTS IF CHINA WOULD FORMALLY ADOPT THE COMPLETE NSG GUIDELINES. SUCH A STEP WOULD FURTHER DEMONSTRATE CHINA'S WILLINGNESS TO ACT AS A RESPONSIBLE NUCLEAR SUPPLIER. (C)

SECOND, WE COULD USE THE RECENT PUBLICITY ABOUT THE ACTIVITIES OF HEMPEL TO REMIND THE CHINESE TO BE ALERT TO

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ANY TRANSACTION HANDLED BY HIS FIRM AND TO TAKE THE NECESSARY STEPS TO ENSURE THAT EXPORTS REACH THEIR STATED DESTINATION -- THROUGH, FOR EXAMPLE, IMPORT CERTIFICATION OR GOVERNMENTAL ASSURANCES. (C)

FINALLY, WE COULD REINFORCE OUR PAST DEMARCHES TO CHINA

REGARDING NUCLEAR COOPERATION WITH PAKISTAN. MOST RECENTLY WE HAVE TOLD THE CHINESE THAT [REDACTED] (b)(1)
[REDACTED] WITH
RESPECT TO PAKISTAN, OUR POLICY IS TO DISCOURAGE ANY NUCLEAR COOPERATION ABSENT PAKISTANI ACCEPTANCE OF IAEA SAFEGUARDS ON ALL ITS NUCLEAR ACTIVITIES. (S)

CONTINGENCY TALKING POINTS

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A.(U) INTRODUCTION

-- AS CHINA FULLY APPRECIATES, RESPONSIBLE EXPORT POLICIES BY NUCLEAR SUPPLIER STATES ARE AN IMPORTANT COMPONENT OF AVOIDING THE FURTHER SPREAD OF NUCLEAR WEAPONS.

-- ONLY BY ADOPTING AND VIGOROUSLY IMPLEMENTING SUCH POLICIES CAN A SUPPLIER COUNTRY HAVE A REASONABLE DEGREE OF ASSURANCE THAT ITS NUCLEAR EXPORTS ARE NOT ASSISTING ANOTHER COUNTRY TO ACQUIRE NUCLEAR EXPLOSIVES.

-- U.S. AND CHINA BOTH UNDERSTAND THIS PRINCIPLE AND HAVE DISCUSSED OVER THE YEARS THE POLICIES AND MEASURES THAT HAVE BECOME STANDARD INTERNATIONAL PRACTICE FOR RESPONSIBLE SUPPLIER COUNTRIES.

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B.(U) NSG GUIDELINES

-- CURRENT CHINESE POLICIES INCORPORATE MUCH OF WHAT IS CONTAINED IN THE NUCLEAR EXPORT GUIDELINES PUBLISHED BY THE IAEA IN 1978, AND WHICH TODAY HAVE BEEN ADOPTED BY ALL OTHER NUCLEAR WEAPON STATES AND OVER 20 NON-NUCLEAR WEAPON STATES.

-- WE WOULD STRONGLY ENCOURAGE CHINA TO EXAMINE THIS DOCUMENT, WHICH WAS PUBLISHED AS IAEA INFCIRC/254, AND CONSIDER INCORPORATING THESE GUIDELINES AS PART OF CHINA'S NUCLEAR EXPORT POLICIES.

-- MANY COUNTRIES HAVE TAKEN THAT STEP SINCE 1978 AND HAVE SENT A DIPLOMATIC NOTE TO THE IAEA DIRECTOR GENERAL STATING THAT THEIR NUCLEAR EXPORT POLICIES CONFORM TO THE GUIDELINES PUBLISHED IN THAT INFCIRC.

-- TAKING SUCH A STEP WOULD FURTHER INDICATE PUBLICLY CHINA'S ACCEPTANCE OF NUCLEAR EXPORT POLICIES THAT AVE SUPPORT AMONG A WIDE RANGE OF NUCLEAR SUPPLIER NATIONS.

C.(C) HEMPEL

-- A PROBLEM THAT ALL NUCLEAR SUPPLIER COUNTRIES FACE IS

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INDIVIDUALS WHO WILL TRY TO MISLEAD GOVERNMENT OFFICIALS
AND OBTAIN EXPORT PERMITS UNDER FALSE PRETENSES.

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-- THERE HAVE BEEN PUBLISHED PRESS REPORTS RECENTLY OF
EFFORTS IN THE MID-1980'S BY AN INTERNATIONAL BROKER TO
DECEIVE NORWEGIAN AUTHORITIES ABOUT EXPORTS OF HEAVY WATER.

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D.(S) SENSITIVE CASES

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-- WE ALSO BELIEVE GREAT CARE MUST BE TAKEN WITH NUCLEAR EXPORTS TO THE MIDDLE EAST.

-- THE U.S. HAS ENGAGED IN REGULAR CONSULTATIONS WITH OTHER SUPPLIER COUNTRIES OVER THE YEARS, AND WE WOULD HOPE THAT SUCH DISCUSSIONS COULD BECOME A REGULAR FEATURE OF THE U.S.-CHINESE NUCLEAR RELATIONSHIP.

5. NORTH KOREA

(S/NF) BACKGROUND

NORTH KOREA ACCEDED TO THE NPT IN DECEMBER 1985, BUT HAS NOT COMPLETED NEGOTIATIONS WITH THE IAEA FOR A FULL-SCOPE SAFEGUARDS AGREEMENT. AN IAEA ERROR IN SENDING THE WRONG DRAFT SAFEGUARDS AGREEMENT PARTLY ACCOUNTED FOR THE INITIAL DELAY. HOWEVER, WE ARE CONCERNED THAT NORTH KOREA IS FURTHER DELAYING COMPLETION OF AN AGREEMENT AND MAY NOT BE WILLING TO PLACE ALL OF ITS NUCLEAR FACILITIES UNDER SAFEGUARDS, AS IT IS REQUIRED TO DO BY ITS NPT OBLIGATIONS. WE HAVE DISCUSSED OUR CONCERNS WITH MANY STATES, INCLUDING THE SOVIET UNION, AND URGED THEM TO RAISE THIS MATTER WITH NORTH KOREA. WHEN THE ISSUE WAS RAISED BY THE UNITED STATES IN THE PAST, THE CHINESE STATED THEY WERE NOT AWARE OF THE NEW REACTOR. (S/NF)

(U) TALKING POINTS ON NORTH KOREA

-- WE WELCOMED NORTH KOREA'S ADHERENCE TO THE NPT IN 1985. THIS STEP FURTHERED OUR COMMON INTERESTS IN STABILITY ON THE KOREAN PENINSULA.

-- HOWEVER, WE HAVE BEEN CONCERNED ABOUT DELAY IN COMPLETION OF NORTH KOREA'S FULL-SCOPE SAFEGUARDS AGREEMENT AS REQUIRED BY THE TREATY.

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-- IN THE CONTEXT OF OUR SHARED COMMITMENT TO PREVENTING THE SPREAD OF NUCLEAR WEAPONS, WE ASK YOU TO URGE NORTH KOREA TO FULFILL ITS TREATY OBLIGATIONS AND TO PUT ALL OF ITS NUCLEAR FACILITIES UNDER IAEA SAFEGUARDS.

END TEXT OF BRIEFING PAPERS. SHULTZ

~~SECRET~~